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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC No. 02687-85/1
24 May 1985

MEMORANDUM FOR: See Distribution

FROM: George Kolt
National Intelligence Officer for Europe

SUBJECT: Warning and Forecast Report for Europe

1. Attached is my report to the DCI based on our meeting held on 22 May 1985. If there are any significant amendments or additions you would wish to make, please let me know. []

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2. Next month's warning meeting will be on 19 June 1985 at 1015 in room 7-E-62, CIA Headquarters. Please have your clearances passed and call [] with names of the attendees by noon, 18 June 1985. []

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3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 10 June 1985. []

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George KoltAttachment:
NIC No. 02687-85

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NIC No. 02687-85
24 May 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: George Kolt
National Intelligence Officer for Europe

SUBJECT: May Warning and Forecast Report

I. Main Discussion Items

A. French Foreign Policy After the Bonn Summit

1. Discussion

The obstructionist attitude displayed by Mitterrand in Bonn is likely to persist and make Paris a more disruptive force in Europe for some time to come. His apparent purpose is to halt the Socialist party's plummeting popularity by adopting these Gaullist stances pushing Paris as the focal point for more Euro-centric policies.

The prospects now indicate sharper French opposition to SDI--particularly as Mitterrand will use his EUREKA design for an exclusively European effort as a stage for his postures. He is also likely to impede US efforts to lower agricultural import barriers--reckoning on support in the EC--and to openly criticize US policy in Central America. (Castro is coming soon and Mitterrand might visit Havana during a Latin American swing this fall.) Gorbachev's likely visit in July-August also will probably see Mitterrand take public stances which in effect, will contradict his past policy of maintaining a united front in NATO. His maneuvers may mean trouble for Chancellor Kohl who has enough political problems at home without new strains in the Alliance by France.

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Mitterand has some restraining factors to keep in mind. Although he increasingly runs foreign policy from the Presidential Palace without seeking consensus he must still take account of government divisions over many of his ploys. On SDI, many senior foreign policy aides--including Foreign Minister Dumas--are skeptical he can block the new strategic defense concept. His military planners also see the need for more realism from Mitterand as they question whether to continue with ballistic missiles programs or to develop a credible cruise missile capability. (The latter suggestions are anathema to Mitterand as France would need to tap US technology and expertise in the field.) He will also not want to destroy Franco-German cooperation.

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B. The United Kingdom: Labor Recovery?

1. Discussion

The recent shift in Labor and Tory fortunes in regional and by elections may create difficulties for Prime Minister Thatcher but they do not yet suggest a trend bringing Labor to power in the national elections that must be held by June 1988.

Despite efforts by its leader Kinnoch to cultivate a more moderate tone than his radical predecessor Tony Bern, Labor's organization remains in the hands of urban leftists given to ideological extremes--like unilateral disarmament and the removal of US bases--with only fringe appeal. Thus, Labor's best prospects are a narrow plurality in national elections and then only if the elections focus largely on unemployment. A strong showing by the Social Democratic Alliance, moreover, would also take votes away from Labor.

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Mrs. Thatcher can take comfort from disarray in the opposition and expect her party to unite if threatened. But there is risk--remote for now--that dissident Tories might test her strength in a divisive campaign to seat a new party leader. (If by-election results continue to be poor, one group led by ex-Foreign Minister Pym, might challenge her in the usually pro forma election of the party leader in September.)

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C. Yugoslavia; On the Eve Of the Planinc Visit

1. Discussion

Premier Planinc's priority during her visit to Washington next week will be to obtain promises of continued US financial support.

A recent breakdown in debt renegotiations with private banks and a surge in inflation--to 80 percent so far in 1985--are Mrs. Planinc's primary concerns. Yugoslav leaders are still smoldering over US rejection of their public demand for a multi-year rescheduling earlier in 1985. And they walked out on a meeting of international bankers in March rather than accept terms on rescheduling which fell short of their demands. (We expect that Belgrade by June will have to accept most of the banks' original terms--especially since the harsh winter of 1985 reduced the glow of their impressive 1984 achievements.) Belgrade recently reimposed price controls on some key products--a reversal for market reform advocates-- in a short-term response to rising complaints about inflation.

To complicate these economic problems, Belgrade is concerned about rising criticism that its collective leaders cannot control diverse regional interests and sharpening ethnic strains. Preparations are underway for next year's party congress and national elections. There is a risk that, lacking agreed solutions to these problems, some leaders will push for new police measures and play on resentment of IMF programs and Western creditors to divert attention from their own failures. --

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In foreign policy, Foreign Minister Dizdarevic is urging a more active Nonaligned role. He wants Belgrade to host the summit next fall and appears willing to grandstand on Third World debt problems to enhance Belgrade's image at home and abroad. His design is controversial as many other leaders think Yugoslavia should take a more moderate, Western Europe-oriented, tack. They fear that the Soviets would try to acquire new influence in the event of a more radical foreign policy in Belgrade.

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II Monitoring Items

A. Poland. No improvement is likely soon in the depressed state of US-Polish relations following the recent PNGs. The regime, is proceeding with trials of two Solidarity leaders who helped organize the May demonstrations and the outlook is for harsh sentences to dissuade others before substantial price hikes on meat and meat products in early June. A plenum soon will discuss the state of affairs in the party and there may be more criticism of Jaruzelski behind closed doors.

B. The Italian Elections. In the wake of the PCI's big losses two weeks ago, the ruling center is stronger. But the Christian Democrats fear their relatively good showing is only a respite. Premier Craxi may be encouraged by PCI weaknesses to go ahead with a referendum on government wage scales in early June--before elections in July of a new President renew inter-party rivalries in earnest.

C. The North Rhine Westphalia Elections. The SPD's big win has made Johannes Rau its likely standard bearer in national elections in 1987 but the immediate impact was to strengthen the center--due to the Greens failure to pass the five percent hurdle--and firm up the ruling coalition--because of the Free Democrats' improved showing. Chancellor Kohl, however, took a beating as his personal efforts failed to move CDU voters who stayed home in large numbers. Nevertheless, he will probably stay in control but may make some cabinet changes in late summer/early fall to mollify his critics.

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